

ORIGINAL

NEW APPLICATION



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RECEIVED ARIZONA CORPORATION COMMISSION

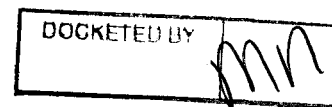
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AZ CORP COMMISSION  
DOCKET CONTROL



Arizona Corporation Commission  
DOCKETED

MAR 26 2008



FINANCING APPLICATION

APPALOOSA WATER COMPANY  
UTILITY NAME

W-03443A  
DOCKET NO(S).

W-03443A-08-0177

You must complete all items in the application according to the instructions provided. If you have any questions regarding the application, call the Chief, Financial & Regulatory Analysis Section at (602) 542-0743 for assistance.

Send the original and sixteen copies of the application and cover sheet to the following address:

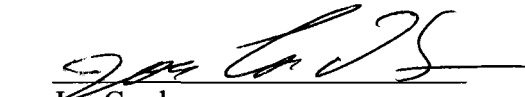
DOCKET CONTROL CENTER  
1200 W WASHINGTON STREET  
PHOENIX AZ 85007-2927

Arizona Corporation Commission  
Attn: Docket Control Center  
Room 130  
1200 West Washington Street  
Phoenix, AZ 85007-2927

Application for Financing Approval  
Application Information Regarding Arizona Revised Statutes 40-301 & 40-302

1. Joe Cordovana, 7012 N. 18<sup>th</sup> Street Phoenix, AZ 85020
2. Joe Cordovana, 1228 West Road 4 North Chino Valley, AZ 86323
3. Appaloosa Water Company provides water utility service to Appaloosa Meadows Subdivision in Chino Valley, AZ in Yavapai County. The request for financing approval is to construct a treatment facility to reduce the level of arsenic concentration in its water supply so it can meet the new minimum levels of arsenic. Appaloosa Water Company plans to use the approved financing in the amount of \$192,380.00 to construct the arsenic treatment facility. The financing will become a debt of the company with a principal and interest payment to be calculated by "WIFA" as prime rate x subsidy rate index to be assigned to the loan application made to "WIFA" after that application is made.
4. N/A
5. Please review all documents contained in, EXHIBIT A, these documents will provide a complete description of the expenditures of this Financing Approval.
6. This Financing Approval Application is made by Joe Cordovana, the owner of Appaloosa Water Company and is well within the corporate powers of Joe Cordovana. This Financing Approval is compatible with the public interest, sound financial practices, and compatible with proper performance as a public service corporation and will not impair, only improve its ability to perform that service.
7. N/A
8. Please refer to documents contained EXHIBIT A, EXHIBIT B and EXHIBIT C.
9. Please refer to the documents in Exhibit B
10. Please refer to the documents in Exhibit C
11. This application is complete, One (1) Original and Sixteen (16) Copies.

I, Joe Cordovana, respectfully submit the attached application and its copies for financing approval by the Corporation Commission.

  
Joe Cordovana

3/26/08  
Date

# **‘ EXHIBIT A ‘**

## TURNKEY ARSENIC TREATMENT REDUCTION SYSTEM AGREEMENT

THIS AGREEMENT dated as of August 02, 2007, by and between AdEdge Technologies, Inc. ("AdEdge") and Appaloosa Water Company, an Arizona corporation, (sometimes referred to as "Appaloosa" or "CLIENT"), pertains to the turnkey arsenic treatment reduction system (the "Project") for Appaloosa and the following attached documents are the terms and conditions of this Agreement, except as may be modified or changed in this instrument:

AdEdge Proposal (dated July 18, 2007).

Site Profile and Sizing/Cost Sheet (6-15-07 rev2).

System Scope of Supply (6-15-7 rev2).

"Terms and Conditions" .07.

"Performance Warranty" (media), and

"Extended Warranty" (email dated 7/11/07).

1. This Agreement shall include the "Terms and Conditions" except that:

Paragraph 2.2 is not applicable as the terms of payment are set forth in the Proposal (as described in Paragraph 2.1).

Paragraph 12.4 (a) is deleted and "Extended Warranty" is inserted therein.

Paragraph 12.7 is deleted and the provisions of the "Performance Warranty (media)" and "Extended Warranty" are inserted therein.

Paragraphs 15.2(a) and 15.3 are deleted and the following language is substituted: "This Agreement shall be interpreted according to, and governed by, the procedural and substantive laws of the State of Arizona and any disputes or claims hereunder shall be the exclusive jurisdiction of the State of Arizona."

2. "Chlorine module" in the Proposal refers to <sup>the</sup> an automated chlorination system as required by Appaloosa. *and outlined in the Scope of Supply attachment.*

3. AdEdge guarantees that its turnkey arsenic reduction treatment system shall remove arsenic to meet or be lower than the maximum contaminant level of eight (8) parts per billion.

4. AdEdge shall provide "as-built" drawings of the Project upon its completion to Appaloosa at its own cost.

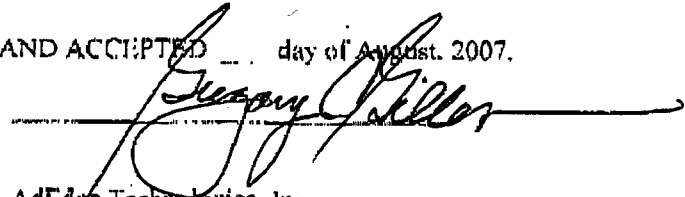
*12/8/06*

5. AdEdge shall be responsible for all permits and governmental approvals for the Project (except any zoning or land use approvals), including, but not limited to, *Approval to Construct* and *Approval to Operate* from the Arizona Department of Environmental Quality, Yavapai County Department of Environmental Services (if applicable) or any other agency as may be applicable and at its own cost.

6. AdEdge shall conduct all inspections and tests as may be required for the full and complete performance of the Project, including a minimum of a 30-day field acceptance test program or as may be required to assure that the Project is performing as guaranteed and warranted.

7. AdEdge shall use its best efforts to complete the Turnkey Arsenic Reduction Treatment Project before December 1, 2007 such that Appaloosa shall be in compliance with the arsenic standard of ten (10) parts per billion under Arizona and Federal laws and regulations and all applicable standards and recommendations of applicable to the Project, including but not limited to the American National Standards Institute, American Society of Testing and Materials (ASME), and National Electric Code.

APPROVED AND ACCEPTED \_\_\_\_\_ day of August, 2007.



AdEdge Technologies, Inc.  
Gregory C. Giles, Vice-President & Principal  
5152 Belle Wood Court Suite A  
Buford, GA 30518  
678-835-0052 (office)  
678-835-0057 (fax)  
770-883-2280 (cell)



July 18, 2007 (Rev3)

Mr. Joe Cordovana  
Re: Appaloosa Water Company  
1228 West Road 4 North  
Chino Valley, AZ 86323  
928-237-6128

**Subject: Treatment System Proposal – Turnkey Arsenic Reduction  
Revision to include backwash recycle system (Revision 3)  
Appaloosa Water Company**

Dear Joe:

AdEdge Technologies Inc. (AdEdge) thanks you for the opportunity to provide this updated proposal to address arsenic treatment needs for your water system. We understand you wish to have AdEdge provide a turnkey treatment project, including the equipment supply, permitting and installation services. To this end, we have teamed up with Lon Turner (RW Turner Pump) and Analytical Water Solutions (who will perform as AdEdge subcontractors) and have updated the proposal sent to you 4-17-07 with the items requested. Mr. Lon Turner will be the contractor performing the installation of the equipment as he is very familiar with the site and has accomplished work for you in the past.

We appreciate your selection of AdEdge Technologies and understand from speaking to you that you are ready to proceed with the work. *This letter summarizes our offer for the turnkey services so that you can initiate the purchase of the equipment at this time in conjunction with the other ongoing tasks.*

### **Objective**

Our goal is to provide you with a proven, simple, low-maintenance option to remove arsenic to meet the new U. S. Environmental Protection Agency (USEPA) maximum contaminant level (MCL) for arsenic (i.e., 10 parts per billion (ppb)). This proposal and attachments, provides the overall technical approach and costs for the sites for this project. The proposal attachments include the following documents.

1. A site profile form with sizing estimates, usage information, and pricing; included also are operating cost estimates and other useful information;
2. A scope of supply document outlining the proposed equipment; and
3. Representative Terms and Conditions (AdEdge)

### **Design Basis**

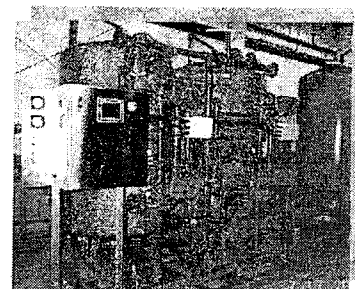
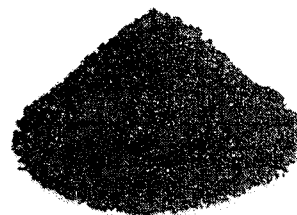
Based on our discussions since the previous proposal was submitted to you in April, 2007, we have upsized the equipment to accommodate current and anticipated future growth needs in your community up to 200 gpm design flow (future). The following key design assumptions apply.

- Two supply wells each with arsenic above the 10 ppb MCL, flowing at 80 and 110 gpm respectively
- One well operates at a time currently; new system can accommodate both wells on at same time (future)
- Max design flow of system with both wells operating = 200 gpm

- Serving 318 homes currently; estimated ave daily usage @ 200 gpd/HH = 63,000 gpd
- Estimated number of homes system can serve (future assuming 200 gpd/HH) = 700 homes or more depending on utilization of the wells.

### Treatment Approach

As you are aware, AdEdge has been successful throughout Arizona and the U.S. assisting small communities, schools, industrial facilities, and residents with arsenic solutions for water systems similar to what you have requested. We are confident we can meet, or exceed, your requirements. For removing arsenic in your system to meet the new standard, AdEdge utilizes our proven adsorption process employing its Granular Ferric Oxide (GFO) technology. This technology efficiently removes the arsenic as the water passes through the fixed bed of media without the aid of chemicals, or additives. The iron-based media also referred to as Bayoxide E33 is simple to use in conventional adsorption vessels, has a very long life before replacement, does not impart any harmful residuals or odor, and is certified by NSF International for use in drinking water applications. ***The technology has a proven track record being utilized in over 110 public water system applications successfully throughout the U.S., and more than any other technology in Arizona as well.***



### Advantages

The AdEdge technical proposal for this project offers several advantages as follows:

- an integrated single source solution for arsenic treatment to meet USEPA's new arsenic MCL;
- a field-proven system for arsenic removal;
- a pre-engineered packaged unit for simple installation, operation, and maintenance;
- a solution that has been approved by the Arizona Department of Environmental Quality (ADEQ);
- superior performing adsorption technology with a 9 year unparalleled track record for arsenic reduction in the U.S. and U.K.; Bayoxide® E33 is the most efficient adsorption media for arsenic removal in the industry;
- successful implementation of the arsenic reduction technology in over 25 public water systems and several hundred residential applications in the U.S. including an estimated 900 residential installations;
- past performance working on multiple Arizona sites for small systems;
- no regeneration or liquid waste streams for disposal;
- 100% backwash recycle with no discharge;
- low capital and operating costs compared to other alternatives for arsenic reduction;
- minimal water waste from the process;
- excellent customer service, quality, and technical capabilities; and
- an experienced team and company portfolio with a history of success in the marketplace

### Proposal and Equipment Assumptions

- The proposal is based on the water profiles and analysis, as well as the correspondence provided.
- Although the new building space is not constructed at this time, it is assumed that it will contain sufficient space, headroom, electrical power, and access for the proposed equipment. All building construction and preparations will be performed by the owner.
- Bayoxide® E33 media will require periodic replacement and disposal (prediction shown on attached). Replacement media services (after exhaustion of the media) can be provided by AdEdge if requested under a separate cover. Included with this type of periodic service would be removal of the spent media, replacement with fresh media, and disposal of the spent media in a sanitary landfill. In every instance to date, the spent media has been managed as non-hazardous waste and disposed in sanitary landfills. However, testing is always recommended on the first quantity of spent media to verify the appropriate disposition of the material.
- The E33 media is backwashed with well water periodically (typically once per 45-60 days) to prevent channeling, and to fluff the media beds. A backwash recycle system is part of this proposal and will include a 5,000 gallon backwash tank, piping, gauges, valves, control panel, recycle pump and installation. It is intended that 100% of the backwash water will be recycled back through the system with no surface discharges or special permits required.
- Valves on the treatment system are manual valves; backwashing will be done infrequently, but will require approximately 40 minutes of time each event to activate the valves by the operator or site personnel. A completely automated package can be provided at additional cost.
- Operation of the system will be the responsibility of site personnel. AdEdge can make arrangements for ongoing services at your discretion.
- Freight of the systems to the site is estimated in the proposal at \$3,200. Actual costs will be freight on board (FOB) regional manufacturing location; freight for the adsorption media to the site will be FOB Atlanta, Georgia.

### Engineering Services / Regulatory Approvals

As mentioned, we have had success working with the ADEQ on other projects. ADEQ personnel are familiar and comfortable with our technology. With the simple AdEdge process there is expected to be less third party engineering to gain regulatory approvals.

AdEdge will get assistance from *Analytical Water Solutions, LLC* to aid in the permitting activities. Shop drawings and Engineering submittals necessary for submission to the Arizona DEQ will be developed to gain the regulatory approvals for the system. AdEdge's subcontractor holds a Professional Engineer's license in the state of Arizona to provide this support. A summary of the anticipated work is below:

- Provide consulting services, facilitate telephone discussions, and prepare documentation as required to the Arizona DEQ (ADEQ) related to the Appaloosa Water system.
- Prepare engineering design / site plans identifying any sanitary sewer connections, yard piping and existing utility conditions as appropriate in a site layout drawing. Perform project team communication and buffer responsibilities with Appaloosa Water and the ADEQ.
- Provide sufficient detail for the proposed treatment system equipment, water system plumbing, existing infrastructure, water system controls and appurtenances, waste stream management provisions, etc.



- Address design review comments received from the ADEQ in a timely manner and with the owner to facilitate issuance of an Approval to Construct and Approval of Construction (ATC / AOC).
- Perform final inspection and provide initial construction oversight to ensure the source water treatment system was installed in accordance with the approved plans.

### **Installation, Startup, and Training**

The primary installation tasks include:

Furnish and install Building to house equipment consisting of the following:

- Construct 14'W x 20'L x 13'H framed building with 8x10-foot roll up door.
- Insulated and paneled interior
- Stucco and painted exterior
- Concrete floor (reinforced for load, 4-inch typical per code)
- Attic vent and heater
- Applicable electrical: sub panel, circuits for APU treatment skid, chemical feed pump, fluorescent lighting & receptacles, and motor starting circuit
- Building permit and engineering for building and pad

#### **Installation Tasks:**

- Receive and offload APU skid mounted treatment system; (crane or lift with tank lifting lugs and spreader bar; to be delivered on flat bed truck) off-loading and placing the equipment inside the new building;
- Receive and offload gravel underbedding
- Place, install and anchor AdEdge APU treatment system in building (duplex vessel carbon steel system)
- Furnish and install the following connections to the system:
  - Inlet piping (4" flange); from incoming wells to system before storage tank (ductile iron)
  - Outlet piping (4" flange) from system to tie in point before storage tank; include wall penetrations (as appropriate) to make all connections (ductile iron)
  - Include appropriate piping supports or hangers to support interconnecting piping.
  - Backwash piping (4" flange) to designated location (above ground Backwash storage tank) (Sch80 pvc)
- Provide 4-inch bypass line around APU system with Bray butterfly valves typical for systems of this type
- Install chlorine module including hypochlorite feed tank (75 gallon), injector (corporation stop and saddle), tubing (chemical by others)
- Furnish and install 5,000 gallon backwash tank; offload and install backwash holding tank; install 6-inch gravel pad for backwash tank in proper location; install 4-inch piping from system to the inlet of the tank (4-inch bulkhead fitting); provide piping supports as appropriate (note: no automation or level controls assumed for tank)
- Furnish and install a vertical centrifugal recycle pump skid with isolation valves, check valve, pressure gauges capable of recycling water from the backwash holding tank back through the system at a rate of approximately 10 gallons per minute to the atmospheric storage tank.

- Furnish and install a simple control panel with switch and run lights for the backwash recycle system to be turned on/off with a low level switch to be installed in the backwash tank.
- Install AdEdge supplied dual stainless steel housing twin bag filter module (prior to water reaching holding tank); included are gauges, and top mounted 1/4-inch bleed valves,
- Furnish and install a chlorination module as described in the scope of supply
- Install AdEdge supplied pre-wired relay control box (small enclosure) to turn the chemical feed pump on/off with customer's well pump(s). AdEdge to supply schematic this enclosure; power from well pump to relay.
- Bulkhead fittings for backwash tank (inlet and drain).
- Provide 2 days of start-up assistance during startup/commissioning of the system after mechanical and electrical completion; assistance will be for laborer to assist in loading gravel, media, and running water.
- Run electrical from existing sub panel in well house to new building; includes below grade conduit/trenching to new building.

Following the building completion, the typical installation requires approximately one to two weeks, followed by startup and system commissioning. Following the startup, basic operator training and operation and maintenance (O&M) information on the system will be provided.

### Costs

The table below summarizes the costs for the proposed system

System Capital and Installation Costs	Cost
Arsenic Treatment System (Dual Model APU-100CS-2-MVH) systems to accommodate future needs to 200 gpm	Included
Insulated Stucco building structure to house equipment	Included
Dual housing stainless steel bag filter for backwash water particulate removal prior to backwash tank	Included
Chlorine module	Included
Backwash recycle system	Included
Permitting and System related Engineering	Included *
Installation of System, Piping, Electrical, Backwash Recycle System	Included **
Freight (Estimated; actual to be billed)	Included cost = \$2,800; actual to be billed at time of shipment
AdEdge Startup and Commissioning	Included
Sales Taxes	Not included (if applicable)
<b>Total Turnkey Costs (sans freight)</b>	<b>\$168,000</b>
<b>Operating &amp; Maintenance Costs</b>	
<u>Estimated</u> time before media change-out	2.7 years
Estimated labor per week	< 60 minutes/week
Estimated annual operating costs	\$0.41 / 1,000 gallons treated (includes pro-rated media life, and utilities)

\* Permitting by AdEdge subcontractor

\*\* Installation of system and building by Turner Pump, AdEdge contractor

### Warranty

Our proposal pricing is valid for the next 45 days. Also attached is a copy of our standard contract terms and conditions for the proposed equipment. This document outlines the warranties as well. Also, please note that the lead time to build the system and ready for shipment will be 8-10 weeks from order, release to fabrication, or approval of permit.

### Terms

The following Terms and Progress payments are proposed:

- 15% down with Order/PO to begin shop drawings, permit support documents, building permit.
- 25% upon release to manufacturing, initiation of construction, or permit issuance
- 50% net 15 days shipment of treatment system
- 10% upon successful startup or 45 days after shipment, whichever occurs first

The AdEdge proposal was assembled in good faith and is believed to be accurate based on the information provided to us. We believe our overall approach and proven adsorption alternative provides an excellent value. Feel free to contact me at 678-835-0052 if you have any questions.

Sincerely,

**AdEdge Technologies, Inc.**



Gregory C. Gilles  
Vice President & Principal

**Appaloosa Water Company**



Authorized Representative / Date

**Billing Address for Purchasing:**

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Attachments (contract documents)/

- Site profile and sizing / cost sheet (6-15-07 rev2)
- System Scope of Supply (6-15-07 rev2)
- Terms and conditions .07
- Performance Warranty (media)
- Email on extended Warranty offered dated 7/11/07

Contact Information

Customer / Utility:	Appaloosa Water Co.	Date (mm/dd/yy):	6.15.07 (rev2)
Site or Well Identity / Location:	1815 Grandview, Prescott, AZ	Main Contact:	Tony / Joe Cordovana
Local Engineer / Firm:		Phone:	928-237-6128/7310 (Tony)
Operator:	TBD, L. Turner to assist	Fax:	602-277-5632
Target Date for Installation:	2007	Email:	tony@cordova.com
Other Pertinent Notes:	treatment needed for reducing arsenic < 10 ppb; need plan to submit to ADEQ		

gg062207 rev 2

System Parameters / Site Specific Info

System Type / Application:	Community well(s)	community water system/subdivision	Notes
Population Served:	1700	(estimated based on connections)	2 wells, 110, 90 gpm
Number of Connections:	312	(anticipating over 300 connections in next 3 years)	wells alternate
Design Flow (GPM):	200	(Max design flow rate to accommodate current demand)	New building for unit proposed
Ave Flow (GPM):	100	(Typical demand)	BW discharge options TBD
AdEdge Design Basis:	200		Building will be 20x14'
Gallons per day:	63,600	(estimated based on 200 gpd/connection)	Double door /roll up entrance
Est. Usage (Gals / Year):	23,214,000	(365 days per year usage)	Assume 100% arsenic (V)
Existing Pretreatment In Place:	None		
Existing Disinfection:	None		
Disinfection Injection Point:	Not Applicable		
Pump Operation / Pressure:	Intermittent		
Electrical Power Availability:	Yes; 3 phase 220 and 110		
Atm Storage Tank Present at the site:	Wells feed into a 65,000 gallon tank		
Hydropneumatic Tank Present:	From 65,000 gallon tank, booster pumps to distribution or 5,500 gallon Hydropneumatic tank		
Building present:	Yes, only a 6-feet x 13' space available; new building expansion to be completed for equipment		
Any additives ie, phosphates, fluoride:	None		
Discharge Options:	None		

Water Analysis

\*\* denotes priority parameters

PRIORITY PARAMETERS		SECONDARY PARAMETERS	
pH **	7.90	Antimony	< 0.004 mg/L Sb
Total As **	0.013-0.016 mg/L As	Chromium	< 0.005 mg/L Cr
As(III)	no data mg/L (if known)	Lead	< 0.002 mg/L Pb
Sulfides **	no data mg/L	Molybdenum	no data mg/L Mo
Hardness **	91-118 mg/L @ CaCO3	Selenium	< 0.005 mg/L Se
(no data) Silica **	36.000 mg/L SiO2 assumed	Suspended Solids	no data mg/L
Phosphate **	0.1 mg/L PO4	Turbidity	0.44 NTU
Sulfate **	8.8 mg/L SO4	Fluoride	0.29 mg/L F
Iron **	<0.10 mg/L Fe		
Manganese **	<0.05 mg/L Mn		
Alkalinity **	110.00 mg/L CaCO3		
Vanadium **	0.016 mg/L V		

Adsorption

AdEdge Packaged System (APU):	Dual APU-100CS-U-2-MVH	Contact time (EBCT):	3.6	(based on peak flow)
No. of adsorbers:	(2), skid, packaged, 54"	Ave flow rate:	200.0	(typical expected)
Qty. of media (cu ft):	95	Ave gallons/day:	63,600	(based on utilization)
Approx Adsorption System footprint:	13' L x 7' W x 8' 6" H	Hydraulic Utilization %:	22.1%	(actual system utilization 24-7)
Media:	Bayoxide E33 10x35	Est. working capacity:	87,300	(bed volumes to breakthrough)
Operation:	Intermittent	Bed volumes / day:	89	(throughput)
Backwashing:	1x / month @ 148 gpm	Est. Gallons to breakthrough:	62,688,364	(arsenic breakthrough)
Backwashing rate:	9 gpm / sq ft	E33 Est. Media life (months):	32.9	(est frequency of changeout)
Est. BW water (gallons) per event:	4,144	E33 Est. Media life (Years):	2.7	(est frequency of changeout)

System Costs

Adsorption system:	included	Replacement E33 media:	\$25,440	(media, excluding labor)
Basic Chlorination Module:	included	Consumable estimate:	\$139	(consumable est. for ordering)
Building, installation, piping, electrical:	included			
Backwash recycle, tank, Bag filters, install:	included	Est. Annual Oper. Costs	\$9,431	(media, consumables)
Permitting:	included	Operating Costs per 1,000 gal:	\$0.41	(avg. calculated over 5 years)
AdEdge Equipment Shop Drawings:	included	Est. disposal of spent media:	< \$500	(cost disposal of media)
Freight:	estimated \$3,200	Annual estimated Oper (total)	\$9,570	(Annualized cost - 20 yr deprec.)
Startup and Commissioning:	included	Est. Cost per Home / Month	\$2.52	(est cost per month / connection)
Total turnkey capital and startup costs:	\$168,000			

# AdEdge Arsenic Adsorption Package Unit (APU) System Scope of Supply and Features

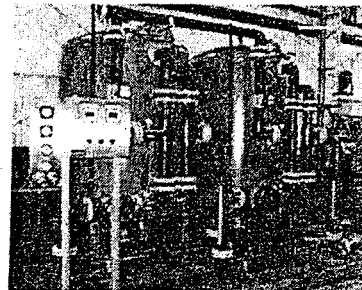
**adedge**

Appaloosa Water Company

6/15/2007 (Rev 2)

## Adsorption Vessels / Media

APU-200 Adsorption system for future capacity rated for up to 200 gpm  
Pre-packaged, triplex non-skid mounted system on steel tubular frame  
2 Carbon Steel, epoxy lined adsorption (pressure) vessels in parallel  
36"x60" sideshell diameter adsorbers (optional ASME code)  
SCH 80 PVC Hub and lateral collection system, diffusers  
96 cubic feet of Bayoxide E33P Adsorption media  
Gravel underbedding



APU system - duplex

## Process Valves and Piping

Parallel piping configuration  
Manual butterfly valve flow control package/harness (5 valves / vessel)  
Manual backwashing and manual isolation  
Sch 80 PVC interconnecting piping, unions, flanged connections  
Stainless steel influent, effluent sample valves

## Instrumentation & Controls

SS instrument panel for mounted instruments/reading  
(3) Flow meters, flow totalizers, one for each vessel  
Local and panel mounted pressure gauges  
NEMA 4X Stainless steel panel enclosure  
(1) differential pressure gauge for system DP

## Customer Provided Support

Single phase 110v, 20 amp electrical service  
Sewer or other discharge options for backwash  
Concrete slab or base for skid mounted unit  
30 psig water supply or regulator if high pressure  
Piping from backwash line to designated location  
Building / shade structure for equipment

## Chlorination Module for System

50 gallon poly tank, fittings, foot valve  
Beta4 Prominent diaphragm metering pump  
3/4" Corporation stop or injection valve  
Secondary containment bin for chlorine tank  
Tubing, fittings, and connectors  
Mounting bracket  
3/4" Saddle for chlorine tap

## Backwash Recycle System

5,000 gallon HDPE vertical holding tank  
Bulkhead fittings in / out, vent  
Gravel base or concrete support for tank  
Installation of tank, bulkhead fittings, level switch  
Control panel, 10 gpm backwash recycle pump  
skid for pump, gauges, valves, return lines  
low level switch in BW holding tank for control on/off

## Field Services & Misc

System installation by Turner Pump (Adedge Subcontractor)  
ADEQ Permitting (see proposal)  
2 Days system startup and training (see attached)  
Operator training and O&M Manual

## Bag Filter Module for Backwash

(2) Dual 100 gpm rated bag filters  
Stainless steel housings, 150 psi rated  
7x21" polyfelt bags for particulate removal  
Pressure gauges, 1/-inch bleed valves  
Legs for each Bag filter housing  
FSI BFN-12 Modules or equivalent

## Terms

Lead time is 9-10 weeks from contract / PO  
Freight for media and equipment up to \$3100 is included; actuals to be billed FOB Atlanta or Chicago  
Sales taxes (if applicable) are excluded  
Manufacturer's 1 year warranty  
AdEdge Commercial Terms and Conditions apply  
Pricing valid for 45 days



## REPRESENTATIVE TERMS AND CONDITIONS

### 1. PRECEDENCE

- 1.1. Unless otherwise written and specified in the proposal documents, the following Terms and Conditions shall take precedence over any contract provision(s) of the Agreement and/or Purchase Order and/or any other exhibit, addendum, or other attachment thereto. These Terms and Conditions shall take precedence over any contrary provision(s) contained in any future purchase order issued by CLIENT. Any amendment of these terms and conditions must be in writing and signed by both parties.

### 2. PAYMENTS

- 2.1. These terms and conditions apply to packaged water treatment systems, system components, materials, and media including but not limited to Adsorption Package Units (APUs), Modular Systems, and other packaged water treatment related equipment that may be sold by AdEdge Technologies to the CLIENT or third party. Additionally, AdEdge may provide professional services including consulting, installation services, engineering support, plan development, drawings, specifications development, and other labor, equipment, or construction activities for, or on behalf of, the CLIENT that are also governed by these terms and conditions unless provided separately under a supporting document such as a contract letter or firm proposal.
- 2.2. Payment for treatment equipment and services mentioned in 2.1 above shall be paid by CLIENT to AdEdge in the following increments:
  - a) An initial payment of 30% of the total lump sum cost, excluding consumables (see project specific cost proposal or worksheet) shall be due at the time the initial adsorption treatment system/equipment is ordered (PO received and manufacturing is initiated) by AdEdge.
  - b) A second payment of 60% of the total lump sum cost, excluding consumables (see project specific cost proposal or worksheet) shall be paid to AdEdge when adsorption treatment system/equipment is shipped from the manufacturing location to the job site.
  - c) The remaining 10% (balance) of the total lump sum cost, (excluding consumables, see project specific cost worksheet as applicable) shall be paid to AdEdge when AdEdge or its designee (or in certain cases the CLIENT), has completed a successful start-up (commissioned the system for operation per the proposal) and the treatment system is determined to be meeting the specific treatment goals for which it was designed for in AdEdge's proposal. Under circumstances where the CLIENT or their project schedule is delayed (for reasons which may or may not be beyond the CLIENT's control) and cannot complete mechanical and electrical installation of the system and/or prepare the system within a reasonable time frame as to facilitate startup, considered to be within 60 days of system arrival at the site (e.g., facility not ready, force majeure situations, etc), the CLIENT agrees to pay AdEdge the final retainage. Final payment made to AdEdge under these unforeseen circumstances by the CLIENT will not relieve AdEdge of its responsibilities to fulfill startup duties covered in the contract with the CLIENT nor its responsibilities to demonstrate performance of the system in accordance with the contract.
  - d) Consumables if provided, such as chemicals which are not included as lump sum items (e.g., Chlorine, CO<sub>2</sub>) utilized for operation and maintenance shall be invoiced monthly by AdEdge as these costs are incurred to be paid by CLIENT.
- 2.3. An invoice will be presented to CLIENT by AdEdge Technologies for each of the scheduled payments in 2.2 above at the appropriate time in the schedule. With the exception of the initial

payment, progress payments shall be received by AdEdge net 15 days from CLIENT receipt of an AdEdge invoice documenting the invoiced items per the cost worksheet or scope.

- 2.4. All payments shall be made by CLIENT to AdEdge Technologies, Inc. (AdEdge) at 5152 Belle Wood Court, Suite A, Buford, Georgia, 30518.
- 2.5. Any payment not received by AdEdge within 15 days shall be considered overdue and payable forthwith. In the event that payment of any AdEdge invoice is not received within the 30 day payment period described then interest shall accrue at the lesser of eighteen percent (18%) per annum or the highest interest rate chargeable under the laws of the State of Georgia for such transactions.
- 2.6. Interest on unpaid balances shall be simple interest and shall accrue only on the unpaid principal balance due and owing. Interest shall accrue from the date appearing on the invoice after a default in payment as described above.
- 2.7. CLIENT shall communicate in writing to AdEdge any invoice errors, discrepancies or disputes within ten (10) days of the invoice receipt date. If such communication is not so made the invoice will be deemed to be approved and CLIENT shall forever waive any error, discrepancy or dispute of which it was aware or through due diligence could have become aware.
- 2.8. All costs, charges and fees provided for herein and all payments by CLIENT shall be made in U.S. Dollars.
- 2.9. In the event of a default by CLIENT in the payment of any payment installment required by this Agreement and a continuation of such default for a period exceeding thirty (30) days from the due date of such payment, AdEdge may, without demand and/or requirement of written notification of the default, terminate and cancel this Agreement.
- 2.10. Upon notice to CLIENT from AdEdge of the election to terminate the Agreement, CLIENT shall forthwith pay to AdEdge all past due amounts plus such additional compensation as shall be necessary to compensate AdEdge for any unamortized balance of all capital expenditures made by AdEdge under the Agreement and all remaining anticipated profits which would have been realized by AdEdge but for the default and resulting cancellation.

### 3. TAXES

- 3.1 AdEdge shall be responsible for the payment of the following taxes associated with the services to be performed:
  - a) Taxes directly associated with the employment of AdEdge's employees, including but not limited to, employer's FICA contribution, Workman's Compensation, Insurance, Unemployment Insurance, and FUTA (as applicable).
  - b) Local and Federal income taxes based on net profit to AdEdge.
- 3.2 In the event that any tax (or increased rate of tax) is enacted after the execution of this Agreement and such tax (or increase in rate) increases AdEdge's charges and expenses associated with the services under this Agreement, AdEdge's compensation pursuant to this Agreement shall be adjusted accordingly to reflect the increased cost, charge and expense.
- 3.3 The fees provided for in the Agreement are exclusive of state sales taxes, use taxes, gross receipt taxes, or other similar taxes, payment of which shall be an additional responsibility of CLIENT. CLIENT will be billed for state tax if he does not have an exemption or resale certificate.

- 3.4 Payment of any tax, custom, duty, fee, tariff, levy, and/or assessment levied by a governmental authority not specifically imposed on AdEdge by this Agreement shall be the responsibility of CLIENT.

#### 4. RETAINAGE

- 4.1 Any provisions to the contrary notwithstanding, at any time during the course of this Agreement, AdEdge reserves the right to post a payment and performance bond issued by a company licensed to issue such bonds. In such an event CLIENT agrees to immediately pay to AdEdge all monies held by CLIENT as retainage(s) and to cease withholding retainage(s) from any future AdEdge invoice.

#### 5. SHIPMENT OF MATERIALS - DELAYS

- 5.1 In the event that AdEdge completes fabrication of the system or goods and/or is prepared to ship materials, equipment or supplies to CLIENT and CLIENT is unable to accept those materials (e.g., designated facility is not ready), after completion of the equipment or supplies for any reasons then CLIENT shall immediately provide an alternative location to which AdEdge may ship the materials and take possession of the materials or equipment or supplies within 15 days. In the event that the CLIENT cannot take possession of the materials or equipment within this grace period, the CLIENT agrees to pay AdEdge second progress payment immediately (Section 2.2(b)) upon receiving an invoice from AdEdge per Section 2.3 and other storage costs directly or indirectly as a result of the delay in shipping.

#### 6. INDEMNIFICATION

- 6.1 CLIENT shall indemnify and hold harmless AdEdge, its officers, employees, and agents, against all claims, liabilities, losses, damages and expenses, of every character and kind whatsoever, for property damage, bodily injury, sickness and/or disease, including death, sustained by any person or entity, if such claim, liability, loss, damage or expense arises out of or is in any way connected, directly or indirectly with this Agreement, unless such loss, damage, injury, sickness or disease results in whole from either the negligence of AdEdge or willful misconduct of AdEdge.
- 6.2 AdEdge shall indemnify and hold harmless CLIENT, its officers, employees, and agents, against all claims, liabilities, losses, damages and expenses, of every character and kind whatsoever, for property damage, bodily injury, sickness and/or disease, including death, sustained by any person or entity, if such claim, liability, loss, damage or expense arises out of or is in any way connected with the services to be performed under this Agreement if the loss, damage, injury, sickness or disease results in whole from either the negligence of AdEdge or willful misconduct of AdEdge.
- 6.3 Anything above to the contrary notwithstanding, in the event that it is determined that a claim, liability, loss, damage and/or expense for property damage, bodily injury, sickness and/or disease, including death, is the proximate result of the negligence and/or willful misconduct of both parties, then each party shall indemnify and hold harmless the other party from and against such claim, liability, loss, damage and/or expense to the degree and/or proportion that the harm and/or damage was caused by the indemnifying party as compared to degree or proportion of fault of the other party.

#### 7. DRAWINGS AND INVENTIONS

- 7.1 All drawings furnished to CLIENT by AdEdge are proprietary and remain the exclusive property of AdEdge and are to be used by CLIENT only for the purpose of operating and maintaining the Equipment and are not to be used for the manufacture of duplicate or similar equipment and shall under all circumstances be kept confidential by CLIENT and shall not be disclosed to anyone.



- 7.2 Any and all inventions, discoveries or development of other intellectual property rights shall be and remain the property of AdEdge.

## 8. CONTRACTOR STATUS

- 8.1 AdEdge reserves the exclusive right to exercise complete control over and/or direction of AdEdge's employees, agents, representatives and subcontractors in connection with this Agreement and the work to be performed hereunder.
- 8.2 Neither party shall have any authority to employ any person as employee, agent, representative, or subcontractor for or on behalf of the other party for any purpose.
- 8.3 CLIENT shall not make any representation on behalf of AdEdge, nor shall CLIENT assume or create any obligation, expressed or implied, on behalf of AdEdge.
- 8.4 CLIENT agrees that for a period of one (1) year after the completion of the scope of work by AdEdge, CLIENT shall not hire or contract with any AdEdge employee or subcontractor assigned to perform duties in connection with this Agreement.

## 9. LIENS

- 9.1 AdEdge shall pay appropriately all of its indebtedness for material, equipment, supplies, tools, labor, services and all else used in the performance of this Agreement. AdEdge shall use its best efforts to prevent liens or charge to attach to CLIENT's property as a result of this Agreement and if any should attach then AdEdge shall promptly notify CLIENT and shall procure its release.

## 10. RESPONSIBLE MANAGING EMPLOYEE

- 10.1 Prior to the commencement of work under this Agreement, each party shall designate in writing one or more employees or other representatives of the party who shall have authority to approve changes in the Scope of Work and compensation therefore, execute written Change Orders reflecting such changes, render decisions promptly, and furnish information expeditiously to the other party.

## 11. FORCE MAJEURE

- 11.1 AdEdge shall not be liable under this Agreement for delays or other non-performance caused by any unusual occurrence beyond the AdEdge's reasonable control, including, but not limited to, war, fire, strikes, other labor troubles, unforeseeable breakage of equipment, accidents beyond the control of either party, acts of God, delays of common carriers, and unforeseeable actions of governmental authority, laws, rules and/or regulations.
- 11.2 Upon the occurrence of the force majeure, AdEdge shall give immediate notice to CLIENT of such and shall thereafter undertake all reasonable efforts to remedy and/or mitigate the force majeure.

## 12. WARRANTIES

- 12.1 The provisions of this Agreement or any other contract documents (as are specifically set forth infra) regarding time/date provisions imposed upon AdEdge are descriptive only and are neither guarantees or warranties by AdEdge unless expressly set forth so to be in this "Warranties" article or are provided a supplement to this article or specifically made subject to a "Time is of the Essence" provision.
- 12.2 All AdEdge employees and the employees of subcontractors of AdEdge shall be appropriately skilled to perform the work to which they are assigned. AdEdge employees and the employees of AdEdge's subcontractors shall be appropriately supervised by qualified persons.

- 12.3 No process, equipment or material designed by AdEdge shall infringe upon any United States patent right.
- (a) AdEdge shall defend, indemnify and hold harmless CLIENT from and against any claim and/or lawsuit arising directly from a violation of the warranty provided for in this Section; provided, however, that AdEdge retains the right to modify the work or license appropriate patent rights to avoid assertions of infringement.
- 12.4 AdEdge warrants that all equipment and materials supplied by AdEdge pursuant to this Agreement shall be new (unless otherwise specified) and free from materials defects in materials and workmanship and AdEdge shall have clear title to such equipment and materials (unless otherwise specified).
- (a) The Warranty contained in this Section shall be effective from the arrival of the equipment to the site for installation or the date of first use by CLIENT and/or the owner of the facility, whichever occurs first, for a period of one (1) year.
- (b) If any equipment or material fails to conform to the warranty provided for in this Section and CLIENT notifies AdEdge in writing of the defect within the warranty period, AdEdge shall, at its expense, either repair or replace any non-conforming equipment or material.
- 12.5 AdEdge warrants that the consulting or engineering support services provided for in this Agreement shall be performed in a manner so as to conform to the standards of engineering services customarily practiced by the engineering profession for services of a similar nature.
- (a) Upon a breach of the warranty provided for in this Section and written notification thereof, within a reasonable time after such notification AdEdge shall correct the item of defective consulting or engineering support work.
- 12.6 AdEdge warrants that any non-engineering services provided for in this Agreement shall be performed utilizing the same standard of due diligence and reasonable care demonstrated by other companies within the industry providing similar services.
- (a) Upon a breach of the warranty provided for in this Section and written notification thereof, AdEdge shall immediately take such corrective actions necessary to bring AdEdge's performance fully within the limitations provided by the warranty.
- 12.7 AdEdge makes no warranty, expressed or implied, respecting its services pursuant to this agreement other than as are specifically set forth in this article and none shall be implied. The warranties and remedies set forth in this "warranties" article are exclusive. The warranties are given by AdEdge and accepted by client in lieu of any and all other warranties, whether expressed or implied, including without limitation all warranties of merchantability all such warranties being hereby expressly disclaimed by AdEdge and waived by client. The remedies provided for herein are in lieu of all other remedies at law or in equity for breach of warranties.
13. RIGHT TO REMEDY DEFAULT
- 13.1 In the event that either party feels that the other is in default in any of its obligations under this Agreement it shall notify the other party of the alleged default in writing. Upon receipt of said written notification, the alleged defaulting party shall have a reasonable period of time, but not less than ten (10) business days, to cure any such default.

#### 14. AMENDMENT

- 14.1 This document and the preceding and following documents, exhibits, schedules and other attachments attached hereto constitute a complete statement of the entire understanding and agreement between the parties. The documents comprising the entire Agreement are as follows:

*{list other contract documents if applicable}*

- 14.2 These contract documents and the Agreement supersede all prior agreements, whether written or oral, that may exist between the parties regarding this transaction.
- 14.3 Any modification or amendment of this Agreement must be in writing signed by a responsible managing employee (RME) of both parties.

#### 15. GENERAL CONDITIONS

- 15.1 Attorney's fees and costs: In the event of any dispute between the parties necessitating litigation, the prevailing party shall be awarded its costs of suit, including reasonable attorney's fees.
- 15.2 Construction:
- (a) The validity, interpretation and performance of this Agreement and all exhibits and attachments hereto and/or any amendment to this Agreement shall be governed exclusively in accordance with and by the laws of the State of Georgia.
  - (b) Headings appearing in this Agreement have been inserted for purpose of convenience and ready reference only. They do not purport to, and shall not be deemed to, define, limit or extend the scope or intent of the clauses to which they appertain.
- 15.3 Venue: In the event of any dispute between the parties arising under this Agreement, the parties agree that the civil courts or federal or circuit courts in and for the County of Gwinnett, State of Georgia, shall have exclusive jurisdiction and venue to determine such dispute(s) and each party hereby waives any objection to such jurisdiction and venue in any such court and any claim that such forum is an inconvenient forum. In the event any such court determines that it lacks jurisdiction, the parties agree to resolve disputes in any court of competent jurisdiction.
- 15.4 Notices: All notices required by this Agreement shall be in writing and shall be sent to the other party by United States Postal Service, postage prepaid, at the party's address hereinabove given or such other mailing address as the party shall from time to time designate.
- 15.5 Waiver: Any waiver by either party of any provision or condition of this Agreement shall not be construed or deemed to be a waiver of any other provision or condition of this Agreement, nor a waiver of any subsequent breach of the same provision or condition.
- 15.6 Separability: If any section, subsection, paragraph, clause or sentence of this Agreement shall be adjudged illegal, invalid or unenforceable, such event shall not affect the legality, validity or enforceability of these remaining portions of this Agreement as a whole or any portion thereof.
- 15.7 Successors & Assigns: The covenants and agreements contained herein shall be binding on the parties hereto and their respective successors and assigns.



### System and Performance Warranty

The AdEdge furnished treatment system (hardware) has a one year warranty against manufacturer's defects and workmanship (see Standard Terms and Conditions Attached). In the event that covered components are determined to be defective within this period, AdEdge will replace or repair as necessary in this period. Typical life of the hardware/equipment (depending on specific materials of construction) is 10+ years. Specific Terms and Conditions outlining the specifics of this warranty are provided at the time of purchase.

The adsorption media (Bayoxide E33) has a finite life and capacity for the target contaminant(s) and is therefore replaced periodically when spent. Typical media life ranges from 6-48 months depending on a number of factors including water chemistry (specific water profile) and usage patterns (gallons per day or seasonal usage). The site-specific media performance is predicted based on gallons throughput divided by the actual quantity of media (in gallons) within the system. The unit of measure is a term referred to as *bed volumes* for this project and is provided in the *AdEdge Site Profile and Sizing Worksheet* which is submitted as part of the final cost proposal.

Any performance warranty is contingent upon a having a complete and accurate water analysis from the customer with the parameters specified and recorded on this form. (note: in some cases this is at the time of sale or perhaps after the sale at or near the time of startup). Although a wide range of analytical parameters are helpful, the following site specific parameters constitute the minimum priority parameters that must be analyzed for and provided to AdEdge to activate a media warranty. This analysis should be recent (less than one year old) and obtained from a qualified or state certified laboratory:

- pH
- Arsenic (total mg/L)
- Iron (total mg/L)
- Manganese (total mg/L)
- Hardness (total as mg/L CaCO<sub>3</sub>)
- Alkalinity (total as mg/L CaCO<sub>3</sub>)
- Silica (mg/L)
- Phosphate (orthophosphate, mg/L)
- Vanadium (mg/L)
- Total organic carbon (TOC, mg/L)
- Total dissolved solids (TDS, mg/L)
- Total suspended solids (TSS, mg/L)

Any warranty is also contingent upon the disclosure of all additives, conditioning chemicals, acids, bases, other constituents (e.g., chelating agents, softening resins, chlorine, polyphosphates, etc.) that are introduced or injected into the water (by site personnel, contractors, or other entities working for or representing the client) before entering the AdEdge adsorption media or system which could potentially interfere, inhibit, compete, or otherwise have a detrimental effect on the performance of the media or system.

If significant data gaps exist, (i.e., certain water quality parameters listed above have not been analyzed) certain assumptions are made in the interim by AdEdge and the customer relative to the concentrations of various water parameters or daily usage until this data is made available to AdEdge. These assumptions may or may not accurately reflect the site specific parameters, but are assumed (at the time of the proposal) in order to provide a preliminary evaluation and prediction of media performance and predict operating costs. Known water quality parameters and values (actual or assumed) are listed in the most recent *Site Profile and Sizing Worksheet*.

To activate the media warranty, the customer must obtain (at its own expense), the minimum listed parameters and submit the data to AdEdge within a reasonable time from deployment of the system or media installation. A reasonable time is assumed to be within 60 days after startup. When AdEdge receives this information, it will calculate a media capacity (bed volume prediction) and provide this to the customer with this written warranty. The warranty shall be retroactive to the date of startup (system commissioning where water began processing through the unit). No written media warranty coverage is activated or valid until these parameters are known and a final prediction of performance is provided to the customer from AdEdge.

This site-specific water quality information is used by AdEdge to project an estimated adsorption media life (in bed volumes) for a pre-determined allowable effluent or treatment goal. Treatment goals and assumptions are stated in the *Site Profile and Sizing Worksheet*.

A valid media warranty is also predicated on the customer's use of the system and media within AdEdge technology design parameters for the system (e.g., design flow rates, pH ranges specified, pre-oxidation with chlorine if recommended, pressures, temperatures, and other design factors that served as the basis of design and assume the system is being maintained in accordance with AdEdge recommendations and the O&M manual provided to the site at the time of startup. It must also be supported by customer analytical results (of treated water) from a qualified analytical laboratory or state certified laboratory.

Considering the aforementioned considerations, AdEdge Technologies will warranty the performance of its Bayoxide E33 (granular ferric oxide) adsorption media used within its systems to meet the stated treatment goals in accordance with a step pro-rated schedule, whereby a 100% warranty will be provided for up to 50% of the estimated bed volumes (gallons) as shown in the final *Site Profile and Sizing Worksheet*.

The example below is shown for illustration. This example shows a site which AdEdge predicts the life of the media to be 100,000 bed volumes before a 10 ppb arsenic breakthrough (current arsenic Maximum Contaminant Level or MCL) is reached. This prediction may be based on laboratory data, pilot data that is available, and field data from other sites executed with the technology conducted with similar water chemistry and usage patterns. The units of bed volumes can be translated into gallons based on the quantity of media in the system. Since total gallons are routinely measured by the system instrumentation / operator, this parameter is simplest to monitor and then converted into bed volumes as follows:

*Gallons treated to 10 ppb / (7.48 x # cubic feet of media in system) = bed volumes*

<u>If the media exhausts</u>	<u>Warranty</u>	<u>Customer Responsibility</u>
0-50,000 bed volumes	100% replacement	0%
50,000 - 60,000 bed volumes	40%	60%
60,000 – 70,000 bed volumes	30%	70%
70,001 – 80,000 bed volumes	20%	80%
80,001 – 90,000 bed volumes	10%	90%
90,001 – 100,000 bed volumes	0%	100%

Media warranty is for a one-time media only replacement and does not include costs such as labor or equipment for change-out.

Similar to all adsorption products, specific water quality parameters such as silica, phosphate, iron, manganese, pH, and others can affect performance of the media. Good faith efforts have been made to incorporate the analytical data provided by the customer, customer's engineer, or authorized site representative to generate AdEdge's calculations and projections of media life. Elevated levels of these parameters can affect the stated predictions of media life and / or increase the frequency of replacement. The Media performance (warranty) assumes that the influent water characteristics or concentrations of these competing ions remain constant or lower than stated or provided to AdEdge on the *Site Profile and Sizing Worksheet* throughout the duration of the treatment period. It is the customer's responsibility to notify AdEdge if it obtains new information (e.g., analytical data) on the raw water quality that may impact or alter the predicted performance. It is also the customer's responsibility to notify AdEdge of any system hardware modifications or configuration changes made by the customer to the AdEdge system (e.g., removal of equipment, addition of chemical feed equipment, etc) upstream of the AdEdge equipment or media.

#### *Warranty Claims*

In the event of a warranty claim, the customer will be required to provide all reasonable supporting data and analytical results taken of the treated water (effluent) since the time of startup as well as operational logs and/or flow meter or totalizer readings. Analytical results to substantiate claims should be from a qualified analytical laboratory or state certified laboratory. This information will help to establish the performance basis for responding with the appropriate action for such a claim.

*Attachment: AdEdge Standard Terms and Conditions*

FAX 928-636-6160

adedge

February 7, 2008

Mr. Joe Cordovana  
Re: Appaloosa Water Company  
1228 West Road 4 North  
Chino Valley, AZ 86323  
928-237-6128

**Subject: Treatment System Proposal Change Order  
Revision to Contract - Appaloosa Water Company**

Dear Joe,

As you know we've been working diligently through the process of obtaining the necessary building permits for the town of Chino Valley to complete the arsenic system. Per the good efforts of Maurice Lee, the plans have been successfully approved by the appropriate parties involved.

As part of this process, the town of Chino Valley has required that the frame building with stucco exterior be constructed of special face block to match the existing architectural standards. The latest drawings which were approved incorporate this design. As such, this has resulted in building cost increases. To construct this building design, there is considerably more time and materials expenses associated with this new building. I have two quotes for comparison.

It is necessary for AdEdge to request a price adjustment in our original contract to cover these unforeseen costs. The additional cost adder above the current amount requested is \$20,880. We recognize this is a significant change, but outside of our control as this change has been driven by the approving authorities. To help defray costs for Appaloosa Water, AdEdge has not marked up this additional cost of the building (straight pass through), even though we have expended considerable time and expenses on this alternative. Likewise, AdEdge will absorb all additional engineering fees (over \$2,500) to process this application, produce drawings, attend meetings, and address the city's concerns.

We are ready to proceed immediately with construction in the next two weeks upon submitting the written permit paperwork into Chino Valley. *In order to complete this project in a timely fashion, we need to receive your authorization of this amount as an addendum to our current contract and fax a copy to our office at the earliest convenience. Billing would be done in accordance with our current contract.*

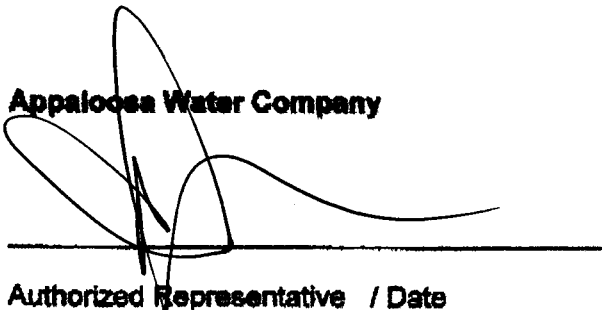
We look forward to completing this project with you. Please contact me with any questions at 770-883-2280 or 878-835-0052.

Sincerely,  
AdEdge Technologies, Inc.



Gregory C. Gilles  
Vice President & Principal

Appaloosa Water Company

  
Authorized Representative / Date



AdEdge Technologies, Inc.

5152 Belle Wood Court  
Suite A  
Buford, GA 30518

## Freight Estimate

Date	Estimate #
1/29/2008	331034

Name / Address
Appaloosa Water Company Joe Cordovana 1228 West Road 4 North Chino Valley, AZ 86323

Description	Qty	Rate	Total
Shipping	1	3,500.00	3,500.00T
Freight estimate for Appaloosa Water Company job			
		<b>Subtotal</b>	\$3,500.00
		<b>Sales Tax</b>	\$0.00
		<b>Total</b>	\$3,500.00

Phone #	Fax #	E-mail	Web Site
(678) 835-0052	(678) 835-0057	operations@adedgetechnologies.com	www.adedgetechnologies.com



# **‘ EXHIBIT B ‘**

**Appaloosa Water Company**  
**Balance Sheet**  
As of February 29, 2008

	Feb 29, 08
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
Chase Bank	29,223
Total Checking/Savings	29,223
Accounts Receivable	
Accounts Receivable	131
Total Accounts Receivable	131
Other Current Assets	
Undeposited Funds	851
Loans receivable	
Artesian Holdings, LLC	648
Joe Cordovana	140,890
Total Loans receivable	141,538
Total Other Current Assets	142,389
Total Current Assets	171,743
Fixed Assets	
Arsenic treatment system-proposd	192,380
Operating Plant and Equipment	
Advances in aid of construction	
Book basis	525,559
Tax basis	9,931
Total Advances in aid of construction	535,490
Land	3,161
Office Equipment	1,850
Plant and Equipment	701,014
Wells	61,522
Total Operating Plant and Equipment	1,303,037
Accumulated Depreciation	-254,073
Total Fixed Assets	1,241,344
Other Assets	
Plant Held for Future Use	
Land	60,000
Wells	26,608
Total Plant Held for Future Use	86,608
Total Other Assets	86,608
<b>TOTAL ASSETS</b>	<b>1,499,695</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	1,500
Total Accounts Payable	1,500
Other Current Liabilities	
Payroll Liabilities	
Federal Withholding	231
FICA	
Company	215
Employee	215
Total FICA	429
Medicare	
Company	50
Employee	50
Total Medicare	100

**Appaloosa Water Company**  
**Balance Sheet**  
As of February 29, 2008

	Feb 29, 08
State Withholding	44
SUI AZ	116
FUTA	46
<b>Total Payroll Liabilities</b>	<b>967</b>
<b>Arizona Sales Tax Payable</b>	<b>828</b>
<b>Total Other Current Liabilities</b>	<b>1,796</b>
<b>Total Current Liabilities</b>	<b>3,295</b>
<b>Long Term Liabilities</b>	
Note payable - WIFA, proposed	192,380
Advance in Aid of Const **	519,710
Hookup Fees Payable	50,608
<b>Total Long Term Liabilities</b>	<b>762,698</b>
<b>Total Liabilities</b>	<b>765,993</b>
<b>Equity</b>	
Common Stock	2,000
Paid in Capital	804,471
Retained Earnings, beg. of year	-70,747
Net Income	-2,022
<b>Total Equity</b>	<b>733,702</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,499,695</b>

**Appaloosa Water Company**  
**Profit & Loss**  
January through February 2008

	Jan - Feb 08
<b>Ordinary Income/Expense</b>	
Income	
Water Sales	17,437
<b>Total Income</b>	17,437
<b>Cost of Goods Sold</b>	
Payroll - direct	
Wages	
Office	1,193
<b>Total Wages</b>	1,193
Payroll taxes	607
<b>Total Payroll - direct</b>	1,799
<b>Total COGS</b>	1,799
<b>Gross Profit</b>	15,638
<b>Expense</b>	
Membership fees	175
Alarm and Security	68
Bad Debts	181
Bank charges	47
Depreciation Expense	5,842
Management services	1,000
Office Supplies	329
Postage and Delivery	435
Professional fees	
Accounting	2,395
<b>Total Professional fees</b>	2,395
Payroll Expenses	
Officer Salary	4,615
<b>Total Payroll Expenses</b>	4,615
Rent	2,000
Taxes	
Real Property Taxes	-646
Taxes, Licenses and Fees	59
<b>Total Taxes</b>	-587
Telephone	44
Utilities	360
Water Analysis Expense	200
<b>Total Expense</b>	17,104
<b>Net Ordinary Income</b>	-1,466
<b>Other Income/Expense</b>	
Other Expense	
Interest Expense	556
<b>Total Other Expense</b>	556
<b>Net Other Income</b>	-556
<b>Net Income</b>	-2,022

# Certificate of Compliance Letter of Good Standing

## Appaloosa Water Company

This Certificate of Compliance is issued pursuant to Arizona Revised Statutes Section 42-1110 and/or Section 43-1151. It certifies that, according to department records, the above named taxpayer has filed and paid all taxes due under Title 42 and Title 43, specifically and only as to the following described tax types and identification/license numbers:

### TAX TYPE

Federal Employer Identification Number  
Transaction Privilege Tax License  
Withholding License

### IDENTIFICATION

86-0878477  
13-038956-D  
86-087847-7

This certification is made conditionally and is subject to the findings of any subsequent audit.

### Issued To:

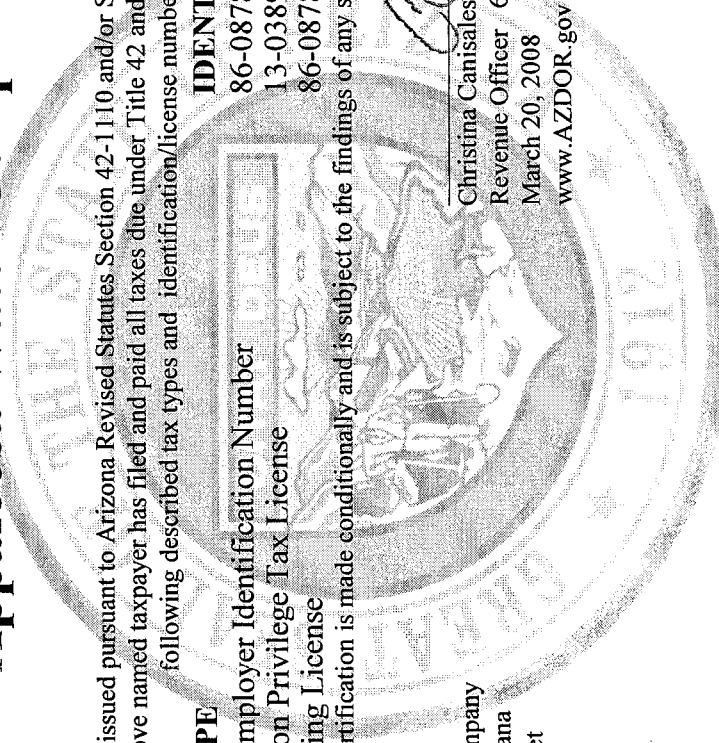
Appaloosa Water Company  
Attn: Mr. Joe Cordovana  
7012 North 18th Street  
Phoenix, AZ 85020

  
Christina Canisales

Revenue Officer 602-716-6234

March 20, 2008

[www.AZDOR.gov](http://www.AZDOR.gov)



# **‘ EXHIBIT C ‘**

## AFFIDAVIT OF PUBLICATION

STATE OF ARIZONA     )  
County of Yavapai     ) ss.

I, **Aileen Kemper**, being first duly sworn on her oath says:  
That she is the **Classified Coordinator** of **PRESCOTT NEWSPAPERS, INC.**, an Arizona corporation, which owns and publishes the **COURIER**, a Daily Newspaper published in the City of Prescott, County of Yavapai that the notice attached hereto, namely,

### **PUBLIC NOTICE OF AN APPLICATION FOR AN ORDER AUTHORIZING THE ISSUANCE OF A DEBT INSTRUMENT BY APPALOOSA WATER COMPANY**

has, to the personal knowledge of affidavit, been published in the news paper aforesaid, according to law, on **21** day of **FEB, 2008** to **21** day of **FEB, 2008** both inclusive without change, interruption or omission, amounting in all 1 insertions, made on the following dates:  
**FEB 21, 2008**

By: \_\_\_\_\_  
Dated this **21** Day of **FEB, 2008**

By: \_\_\_\_\_  
Notary Public

My commission expires:



**PUBLIC NOTICE OF  
AN APPLICATION FOR AN ORDER  
AUTHORIZING THE ISSUANCE OF  
A DEBT INSTRUMENT  
BY APPALOOSA WATER COMPANY**  
APPALOOSA WATER COMPANY filed an Application with the Arizona Corporation Commission for an order authorizing Applicant to issue \$192,380.00 of a debt instrument. The application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona and the Company's offices in Phoenix, Arizona. Intervention in the Commission's proceedings on the application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to intervene with the Commission which must be served upon applicant and which, at a minimum, shall contain the following information:  
1. The name, address and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor.  
2. A short statement of the proposed intervenor's interest in the proceeding.  
3. Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing.  
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant. The granting of Motions to Intervene shall be governed by A.A.C. R14-3105, except that all Motions to Intervene must be filed on, or before, the 15th day after this notice.  
1TC PUB Feb 21, 2008